

## Message Text

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ACTION EB-07

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 6995

INFO USDOC WASHDC

AMEMBASSY VIENNA

UNCLAS SECTION 1 OF 2 MOSCOW 1740

E.O. 11652 N/A

TAGS: BEXP, UR

SUBJECT: DEVELOPMENT OF THEMES FOR TRADE PROMOTION EVENTS IN USSR

REF: VIENNA 787

USDOC FOR BEWT/TPD-THOMPSON

VIENNA FOR EWTC

1. EMBASSY WOULD LIKE TO OFFER FOLLOWING COMMENTS ON PROPOSED USSR TRADE PROMOTION PROGRAM REFTEL, WHICH WE GENERALLY REGARD AS EXTREMELY WELL DONE AND USEFUL DOCUMENT:

A. REGARDING EVALUATION OF CONSTRUCTION EQUIPMENT EXHIBIT (STROYDORMAS-76) AS TRADE PROMOTION VEHICLE, WE BELIEVE THAT GOOD CASE COULD BE MADE FOR OFFICIAL PARTICIPATION ON BASIS INCREMENTAL SALES METHODOLOGY FOLLOWED IN DEVISING EWTC RECOMMENDATIONS. MOREOVER, GIVEN IMPORTANCE OF THIS SECTOR IN OVERALL U.S. MACHINERY EXPORTS TO USSR (COMMERCIAL OFFICE ANTICIPATES THAT ANNUAL DELIVERIES OF HEAVY CONSTRUCTION EQUIPMENT BEGINNING 1975 WILL EXCEED \$200 MILLION) WE QUESTION WHETHER IT WOULD BE WISE TO PASS OVER THIS EXHIBITION. MOREOVER, IT IS OUR IMPRESSION THAT PARTICIPATING COMPANIES WOULD BE PREPARED ASSUME VERY LARGE PROPORTION COST OF THIS EXHIBITION AND WOULD LOOK TO USDOC PRIMARILY FOR ADMISITRATIVE SUPPORT.

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B. CHEMICAL/PETRO-CHEMICAL PROCESSING EQUIPMENT AND INSTRUMENTATION

IS EXTREMELY PROMISING AREA AND WE AGREE THAT IT SHOULD BE INCLUDED IN PROMOTION PROGRAM. ALTHOUGH SOVIET'S EXHIBITION SCHEDULE BEYOND CY1975 IS AS YET UNCLEAR, WE UNDERSTAND THAT A MAJOR "CHEMISTRY" EXHIBITION WILL BE ONE OF THE FIRST STAGED AT THE NEW EXHIBITION COMPLEX. THIS WOULD BE THIRD SUCH EXHIBITION. SPRING 1977 LOOKS LIKE A POSSIBLE DATE.

C. FOOD PROCESSING EQUIPMENT AND PACKING EQUIPMENT WILL BE SUBJECT OF "PRO-PACK-USSR" EXHIBITION SCHEDULED FOR MOSCOW OCTOBER 15-24, 1975. EXHIBITION ORGANIZERS (OXALL AND DRESCHLER) WERE IN MOSCOW FEBRUARY 3-5 AND RECEIVED VERY ENCOURAGING SIGNALS FROM SOVIETS. ARRANGEMENTS ARE PROCEEDING WELL FOR THIS EXHIBITION AND ONLY CONSIDERATION WHICH MIGHT CAUSE CANCELLATION OR POST-PONEMENT WOULD BE INABILITY OF ORGANIZERS TO OBTAIN SUFFICIENT NUMBER OF PARTICIPANTS. RESULTS OF PRO-PACK 75 WILL HAVE TO BE CAREFULLY EXAMINED TO DETERMINE FUTURE TRADE PROMOTION ACTIVITIES IN THIS PRODUCT AREA.

D. MACHINE TOOLS FOR METALS. RESULTS OF STANKI 74 EXHIBITION INDICATE THAT METAL CUTTING/FORMING TOOL AREA SHOULD BE GIVEN HIGH PRIORITY IN FUTURE TRADE PROMOTION PROGRAMS. AS ADDRESSEES AWARE, NATIONAL MACHINE TOOL BUILDERS ASSOCIATION IS CONSIDERING SECOND STANKI EXHIBITION FOR 1977 AND WE STRONGLY URGE THAT COMMERCE JOIN FORCES WITH NMTBA IN STAGING THIS EVENT.

E. INDUSTRIAL INSTRUMENTATION. GIVEN VERY WIDE AREA COVERED BY THIS HEADING, COMMERCIAL OFFICE BELIEVES WE WOULD BE WELL ADVISED TO BREAK IT DOWN INTO COMPONENT PARTS AND USE SEMINAR/EXHIBITS STAGED IN COMMERCIAL OFFICE AS MAJOR PROMOTIONAL TOOL.

F. METALLURGY EQUIPMENT AND INSTRUMENTATION. ASIDE FROM VERY SUBSTANTIAL SALES OF FOUNDRY EQUIPMENT, AN IRON ORE PELLETIZATION PLANT, AND SOME INSTRUMENTATION, U.S. SALES OF METALLURGICAL EQUIPMENT HAVE BEEN DISAPPOINTING, WITH GERMANS DOMINATING THE MARKET. HOWEVER, THERE SHOULD BE GOOD POSSIBILITIES FOR SALES IN THIS AREA DURING NEXT FIVE-YEAR PLAN, WITH ADVANCED ROLLING MILL EQUIPMENT, DIRECT REDUCTION EQUIPMENT/TECHNOLOGY, AND BASIC OXYGEN CONVERTOR EQUIPMENT AND TECHNOLOGY OFFERING GOOD PROSPECTS. INSTRUMENTATION SIDE, INCLUDING POLLUTION CONTROL EQUIPMENT, SHOULD ALSO BE VERY STRONG POSSIBILITY AS SOVIETS SEEK TO

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INCREASE EFFICIENCY OF EXISTING UNITS. IN CASE OF ROLLING MILLS, OFT-STATED NEED TO INCREASE NOMENCLATURE OF ROLLED PRODUCTS IN ORDER REDUCE MACHINE SHOP WASTE AND PRODUCTION OF EXCESSIVELY HEAVY MACHINERY SHOULD OPEN POSSIBILITY FOR SALES.

G. ELECTRIC POWER MACHINERY AND EQUIPMENT. WE AGREE THAT UNDER CURRENT CONDITIONS THIS AREA DOES NOT REQUIRE SPECIFIC TRADE PROMOTIONAL EVENT.

H. SCIENTIFIC AND LABORATORY INSTRUMENTS. AS IN CASE OF INDUSTRIAL INSTRUMENTATION SECTOR (SEE ABOVE) WE BELIEVE THAT COMMERCIAL OFFICE FACILITY SHOULD BE UTILIZED TO PROMOTE SALES OF THIS TYPE OF EQUIPMENT.

I. AGRICULTURAL MACHINERY AND EQUIPMENT. AS PREVIOUSLY REPORTED (MOSCOW 18961 12/23/74 NOTAL), USDA DISCUSSED WITH SOVIETS POSSIBILITY OF HOLDING AGRICULTURAL PRODUCTS PROMOTIONAL EVENT IN MOSCOW DURING SUMMER OF 1975. ON BASIS DISCUSSIONS WITH SOVIETS, IT BECAME APPARENT THAT SOVIET WERE MORE INTERESTED IN AGRICULTURAL MACHINERY, EQUIPMENT, AND TECHNOLOGY THAN IN PRODUCTS PER SE. ACCORDING TO STATE 673 OF JANUARY 2, 1975 (NOTEL), COMMERCE HAS AGREED WITH USDA TO INCLUDE AGRICULTURAL MACHINERY, TECHNOLOGY AND PRODUCTS IN EXHIBITION TENTATIVELY SCHEDULED FOR PERIOD BEGINNING OCTOBER 1, 1976. DESPITE FACT THAT MARKET POTENTIAL IS NATURALLY GREATEST FOR MAJOR AGRICULTURAL MACHINERY MANUFACTURERS SUCH AS IH, JOHN DEERE, SPERRY NEW HOLLAND, CASE, ETC., IN OUR VIEW EXTENT OF POTENTIAL MARKET WOULD JUSTIFY GOING AHEAD WITH THIS PROJECT. AS IN CASE OF CONSTRUCTION EQUIPMENT EXHIBITION DISCUSSED IN PARA A. ABOVE, WE BELIEVE THAT ABOVE MENTIONED MANUFACTURERS WOULD BE PREPARED PAY VERY LARGE PERCENTAGE OF COST OF SUCH AN EXHIBIT.

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J. ELECTRONICS COMPONENTS PRODUCTION AND TEST EQUIPMENT. USDOC/BEWT HAS PROPOSED SEMINAR/EXHIBIT IN THIS AREA FOR COMMERCIAL OFFICE DURING NOVEMBER-DECEMBER 1975 AND WE BELIEVE THIS IS VIABLE THEME. HOWEVER, EXPORT LICENSING SITUATION MAY POSE

SERIOUS LIMITATIONS ON PRODUCT COMPOSITION OF THIS EVENT, WITH CONSEQUENT REDUCTION IN SALES POTENTIAL.

K. FOREST RESOURCES PRODUCTION EQUIPMENT, INCLUDING PULP AND PAPER PRODUCTION EQUIPMENT. PULP AND PAPER PRODUCTION EQUIPMENT WILL BE SUBJECT OF SEMINAR/EXHIBIT SCHEDULED FOR COMMERCIAL OFFICE IN JUNE 1975. RESULTS OF THIS EVENT WILL PROVIDE SOME INDICATION AS TO DESIRABILITY OF LARGER-SCALE PROMOTIONAL EFFORT. A RELATED AREA WHICH MIGHT MERIT CLOSER EXAMINATION FOR FUTURE EVENT IS SO-CALLED "WOOD CHEMISTRY" SECTOR, INCLUDING PRODUCTION OF NAVAL STORES, TURPENTINE, ETC. WHICH WAS FOCUS OF VISIT OF SOVIET DELEGATION HEADED BY DEPUTY MINISTER KURYAKOV IN NOVEMBER 1974.

K. GEOPHYSICAL INSTRUMENTATION (INCLUDING MINING, OIL AND GAS FIELD EXPLORATION AND PROSPECTING INSTRUMENTATION). THIS AREA WILL BE SUBJECT OF SOVIET SPECIALIZED EXHIBITION "GEOLOGY AND GEOPHYSICS" SCHEDULED FOR PERIOD NOVEMBER-DECEMBER 1975. WE ANTICIPATE SUBSTANTIAL U.S. PARTICIPATION IN THIS EXHIBIT. AS EWTC VIENNA SUGGESTS, MARKET POTENTIAL IS EXTREMELY GOOD AND SALES ARE LIMITED LARGELY BY EXPORT CONTROLS AND SUPPLY SHORTAGES.

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L. PLASTICS ARTICLES PRODUCTION EQUIPMENT. THIS AREA WAS COVERED BY SEPTEMBER 1974 "POLYMERY" EXHIBITION, AND WHILE WE CONTINUE TO BELIEVE IT IS VIABLE TOPIC, WE WOULD NOT SUGGEST SPECIFIC EVENT IN IMMEDIATE FUTURE. SHOULD SOVIETS STATE "CHEMISTRY" EXHIBITION IN SPRING 1977, WE WOULD RECOMMEND INCLUSION OF PLASTICS PROCESSING EQUIPMENT IN U.S. DISPLAY AT THAT EVENT.

M. MEDICAL INSTRUMENTATION. AS IN CASES OF PLASTICS PROCESSING EQUIPMENT, MEDICAL INSTRUMENTATION WAS SUBJECT OF 1974 SOVIET EXHIBITION. HOWEVER, AS OPPOSED TO "POLYMERY" EXHIBITION, "HEALTH 1974" WAS RELATIVELY DISAPPOINTING IN TERMS OF SALES AND WE WOULD NOT AT THIS TIME RECOMMEND THIS AREA FOR ADDITIONAL TRADE PROMOTIONAL EVENT.

2. WE AGREE WITH EWTC RECOMMENDATION PARA 5 REFTTEL THAT WASHINGTON AGENCIES SHOULD ENCOURAGE U.S. PRIVATE COMPANY PARTICIPATION IN USSR CHAMBER OF COMMERCE AND INDUSTRY-SPONSORED EXHIBITIONS DURING 1975. TWO OF EXHIBITIONS LISTED PARA 5 REFTTEL I.E. CHILD CARE USA AND FOOD PROCESSING AND PACKAGING EQUIPMENT, ARE PRIVATE SHOWS. THE FORMER SPONSORED BY CHASE MANHATTAN BANK AND THE OTHER BY AN AD-HOC GROUP HEADED BY OXALL AND DRESCHLER. MATLOCK

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